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SUBJ: SPECIAL SESSION OF HOUSE OF REPRESENTATIVES JULY 9

LEAVES SITUATION UNCHANGED

REF: CANBERRA 4389

1. SUMMARY: SPECIAL ONE-DAY SESSION OF HOUSE OF REPRESENTATIVES HELD JULY 9, GENERATING MORE HEAT THAN LIGHT ON RECENT SACKING OF DR.J.F. CAIRNS AS A MINISTER AND ON COMPLEX OVERSEAS LOAN AFFAIR (REFTEL). SENATE MET EVENING JULY 9, APPROVED INITIATION OF INQUIRY INTO LOANS AFFAIR, AND SUMMONED NUMBER OF SENIOR PUBLIC SERVANTS TO TESTIFY AT SPECIAL SESSION BEGINNING JULY 15. GOVERNMENT IS EXPECTED TO REFUSE TO ALLOW PUBLIC SERVANTS TO TESTIFY, POSING CONSTITUTIONAL ISSUE OF COMPETENCE OF SENATE. DEBATE IN HOUSE BROUGHT OUT FOR FIRST TIME LIST OF PROJECTS WHICH MINISTER FOR ENERGY CONNOR WANTED TO UNDERTAKE. MEDIA GENERALLY EXPRESSED DISSATISFACTION WITH LABOR GOVERNMENT PERFORMANCE AT SPECIAL SESSION. U.S. INTERESTS NOT RPT NOT INVOLVED IN THIS COMPLEX AND EXTRAORDINARY AFFAIR. END SUMMARY.

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2. SPECIAL ONE-DAY SESSION OF HOUSE OF REPRESENTATIVES JULY 9,

AT WHICH DEBATE CENTERED ON OVERSEAS LOAN AFFAIR AND DISMISSAL OF CAIRNS FROM MINISTRY, GENERATED MORE HEAT THAN LIGHT, AS EXPECTED. PARLIAMENTARY ACTION CENTERED ON GOVERNMENT MOTION OF CONFIDENCE AND OPPOSITION AMENDMENT TO IT AIMED AT ESTABLISHING ROYAL COMMISSION TO INQUIRE INTO WHOLE AFFAIR. GOVERNMENT DISCIPLINE HELD FIRM ON KEY PROCEDURAL VOTE, WITH LABOR WINNING IN HOUSE BY MARGIN OF 65 TO 61, WITH ONLY TWO MEMBERS MISSING (THEY HAD FAILED TO RETURN FROM OVERSEAS).

3. SENATE MET EVENING JULY 9, OPPOSITION EXPRESSED DISSATISFACTION WITH EXPLANATIONS OF LOAN AFFAIR BY PRIME MINISTER IN HOUSE OF REPRESENTATIVES EARLIER IN DAY, AND SENATE ADOPTED OPPOSITION MOTION BY VOICE VOTE TO INSTITUTE INQUIRY INTO LOANS AFFAIR. SENATE HAS SUMMONED SIX TREASURY OFFICIALS, TWO FROM DEPT OF MINERALS AND ENERGY, TWO FROM ATTORNEY-GENERAL'S DEPT, AND SOLICITOR GENERAL OF AUSTRALIA, TO TESTIFY QTE BEFORE THE BAR OF THE SENATE END QTE. THERE IS EVERY EXPECTATION THAT LABOR GOVERNMENT WILL REFUSE TO PERMIT THESE PUBLIC SERVANTS TO TESTIFY, THUS POSING CONSTITUTIONAL ISSUE OF WHETHER SENATE CAN EFFECTIVELY REQUIRE PUBLIC SERVANTS TO TESTIFY. CONSTITUTIONAL PRECEDENTS ON THIS ISSUE ARE CLOUDY AND CONTRADICTORY.

4. PRESS AND MEDIA HAVE GENERALLY EXPRESSED DISSATISFACTION WITH EXPLANATION OF LOANS AFFAIR PRESENTED BY PRIME MINISTER WHITLAM AND MINISTER FOR MINERALS AND ENERGY CONNOR IN PARLIAMENT JULY 9. MOST MEDIA CONTINUE TO SUPPORT OPPOSITION EFFORT TO HAVE ROYAL COMMISSION APPOINTED, WITH POWERS OF SUBPOENA OF PERSONS AND DOCUMENTS, TO LOOK INTO WHOLE AFFAIR.

5. DEBATE IN HOUSE OF REPRESENTATIVES WAS COMPLEX AND CONFUSING, WITH PRIME MINISTER TABLING SELECTION OF DOCUMENTS TWO INCHES THICK (WHICH OPPOSITION PROMPTLY LABELED AS INCOMPLETE). PRIME MINISTER, AT HIS BEST AS CLEVER AND SKILLED ADVOCATE, NOTED NOTHING ILLEGAL HAD BEEN DONE AND NO COMMISSIONS HAD BEEN PAID ON LOAN EFFORTS. MINISTER FOR MINERALS AND ENERGY CONNOR FOR FIRST TIME INDICATED WHAT PROPOSED LOAN FOR US\$4.0 BILLION WOULD HAVE BEEN USED FOR: GAS PIPELINES FROM FIELDS ON NORTHWEST CONTINENTAL SHELF TO DAMPIER IN WESTERN LIMITED OFFICIAL USE

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AUSTRALIA AND LAND PIPELINE TO PERTH; PETROCHEMICAL PLANT IN DAMPIER FED BY NATURAL GAS; THREE URANIUM MINING AND MILLING PLANTS IN NORTHERN TERRITORY; ELECTRIFICATION OF HEAVY FREIGHT RAIL AREAS IN NEW SOUTH WALES AND VICTORIA; EXPANSION OF RESEARCH ON COAL CONVERSION AND SOLAR ENERGY; UPGRADING FOUR MAJOR COAL EXPORTING HARBORS OF EASTERN AUSTRALIA (HAY POINT, AND GLADSTONE IN QUEENSLAND AND NEWCASTLE, AND PORT KEMBLA IN NEW SOUTH WALES); AND OTHER, UNSPECIFIED

PROJECTS AIMED AT MAINTAINING AND INCREASING OWNERSHIP BY THE PEOPLE OF AUSTRALIA OF OUR OWN RESOURCES."

6. OPPOSITION LEADER FRASER MADE TELLING SPEECH IN REPLY TO PRIME MINISTER. NERVOUS AT FIRST, AS HAS BEEN HIS SPEAKING MANNER AS OPPOSITION LEADER, HE WARMED TO HIS TASK AND LISTED 45 QUESTIONS HE CALLED ON GOVERNMENT TO ANSWER, EMPHASIZING WHAT HE REGARDED AS ILLEGAL AND IMPROPER ACTIONS BY LABOR GOVERNMENT. PERHAPS MOST EFFECTIVE PERFORMANCE ON OPPOSITION SIDE WAS BY MHR ROBERT J. ELLICOTT, FORMER SOLICITOR GENERAL, WHO MADE EFFECTIVE ARGUMENT THAT MEETING OF EXECUTIVE COUNCIL OF DEC 13, 1974, AT WHICH CONNOR AUTHORIZED TO SOLICIT LOANS, WAS ILLEGAL AND IMPROPER ATTEMPT TO BY-PASS FEDERAL-STATE LOANS COUNCIL AND WAS VIOLATION OF CONSTITUTION. HE HIGHLIGHTED LONG-TERM, RATHER THAN TEMPORARY NATURE OF PROJECTS UNDER CONSIDERATION BY GOVERNMENT.

7. STATUS OF FORMER PRIME MINISTER CAIRNS ATTRACTED ONLY MODEST ATTENTION. CAIRNS HIMSELF MADE MOVING DEFENSE OF HIS RECENT ACTIONS, DENYING THAT HE HAD ATTEMPTED TO MISLEAD HOUSE IN STATING HE HAD NOT AUTHORIZED PAYMENT OF COMMISSION TO LOAN MIDDLE MAN, AFTER HE HAD SIGNED LETTER PROMISING SUCH COMMISSION. CAIRNS SAID HE HAD NO RECOLLECTION OF SIGNING LETTER AND, BY IMPLICATION, CRITICIZED PRIME MINISTER FOR DEPRIVING HIM OF MINISTERIAL STATUS FOR WHAT WAS, AT MOST, SIMPLE ERROR.

8. COMMENT: MASS OF DOCUMENTATION TABLED IN PARLIAMENT JULY 9 HAS NOT BEEN ADEQUATELY EXAMINED, AND MATERIAL WILL NO DOUBT BE SUBJECT OF ADDITIONAL DEBATE AND DISCUSSION, BOTH IN SENATE (WHICH WILL RESUME SITTING ON JULY 15), IN MEDIA, AND SUBSEQUENTLY IN HOUSE, WHICH WILL MEET FOR BUDGET SESSION ON AUG 19.

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9. WHITLAM COMES OUT OF WHOLE AFFAIR SOMEWHAT DAMAGED, IN SENSE THAT TABLING OF MASS OF DOCUMENTATION HAS NOT RPT NOT REALLY IMPROVED HIS POSITION. LABOR MEMBERS OF HOUSE OF REPRESENTATIVES LOYALLY SUPPORTED PRIME MINISTER WHITLAM IN VOTING ON JULY 9, AND HE IS PRESUMABLY IN RELATIVELY STRONG POSITION FOR LABOR CAUCUS MEETING SET FOR JULY 12, AT WHICH REPLACEMENT FOR DR. CAIRNS IN MINISTRY IS DUE TO BE ELECTED. WHITLAM HAS MADE IT CLEAR HE ALSO WANTS REORGANIZATION OF CABINET, WITH 12-MEMBER CABINET SELECTED FROM MINISTRY OF 27. LABOR CAUCUS PROBABLY REALIZES IT RUNS CONSIDERABLE RISK IN OPPOSING WHITLAM ON ANYTHING, AS HE COULD RESIGN AND PROVOKE NATIONAL ELECTIONS IN FIT OF PIQUE, BRINGING LABOR TO A SMASHING DEFEAT AND, INCIDENTALLY, THROWING OUT OF OFFICE CONSIDERABLE NUMBER OF 95 PRESENT MEMBERS OF LABOR

CAUCUS.

10. SOUTH AUSTRALIAN STATE ELECTIONS JULY 12 MAY HAVE CONSIDERABLE IMPACT ON OVERALL NATIONAL SITUATION. LABOR PRE-

MIER DON DUNSTAN IS CURRENTLY RUNNING SCARED, UNDER IMPACT OF ADVERSE PUBLIC OPINION POLLS, WHICH SUGGEST STRONG SWING TO LIBERAL-COUNTRY PARTIES. DUNSTAN HAS SOUGHT TO DISSOCIATE HIS STATE GOVERNMENT FROM SITUATION IN CANBERRA IN INTERESTS OF SELF-DEFENSE. IF STATE LABOR GOVERNMENT WINS ELECTIONS JULY 12, ADVERSE PRESSURE ON ALP NATIONALLY WILL EASE SOMEWHAT. IF LABOR LOSES STATE ELECTIONS OR EVEN WINS BY NARROW MARGIN, PRIME MINISTER WHITLAM WILL FACE SHARPENED CRITICISM AT LABOR CAUCUS MEETING JULY 14.

11. IT IS CURIOUS THAT, SO SOON AFTER WATERGATE AFFAIR IN U.S., SITUATION SHOULD HAVE ARISEN IN AUSTRALIA IN WHICH LABOR GOVERNMENT'S CREDIBILITY, INTEGRITY, AND RESPECT FOR THE LAW AND THE CONSTITUTION SHOULD HAVE BEEN POSED IN THE SAME ESSENTIAL WAY, THOUGH IN TOTALLY DIFFERENT LEGAL AND POLITICAL CONTEXT. WHITLAM OFTEN COMMENTED DURING WATERGATE AFFAIR THAT IT COULDN'T HAPPEN IN AUSTRALIA, AS ELECTIONS WOULD BE FORCED AND ERRING GOVERNMENT WOULD BE DRIVEN FROM OFFICE. HE SEEMS PRESENTLY COMMITTED TO DO EVERYTHING HE CAN TO AVOID ELECTIONS, AND HE MAY PUT THEM OFF FOR SOME MONTHS. PRESSURES FOR NATIONAL ELECTIONS BY THE END OF THE YEAR LIMITED OFFICIAL USE

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ARE LIKELY TO MOUNT STEADILY, HOWEVER.

12. FORTUNATELY, THERE IS ALMOST NO REPORT NO INVOLVEMENT OF U.S. INTERESTS IN THIS MATTER, AND WE CAN LOOK AT THE UNFOLDING OF THIS COMPLEX AND, IN SOME WAYS, INCREDIBLE AFFAIR WITH INTEREST BUT DETACHMENT.
GREEN

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